

Allocation of New Entrants' Reserve Funding for Innovative Renewable Technologies & CCS

Position Paper

The recent review of the Emissions Trading Directive resulted in a provision that set aside up to 300 million allowances from the new entrants' reserve (NER) in order to accelerate the demonstration of innovative renewable energy technologies as well as the first commercial carbon capture and storage (CCS facilities). A comitology process will determine the precise manner in which these funds will be allocated. One of the more significant issues to be settled by this process is how to allocate funding between renewable energy technologies and CCS. Greenpeace's view is that the significant majority (>75%) of the funding should be committed to renewable energy technologies in an upfront split.

Prioritising funding of renewable energy technologies supports the 2020 renewable energy and emission reduction targets

Allocating the significant majority of the NER funding to renewable energy technologies in an upfront split is in line with existing EU commitments to cut CO₂ emissions and increase the supply of renewable energy between now and 2020.

In contrast, supporting CCS does not contribute to meeting the renewable energy target and will have a negligible impact on emission reductions in this timeframe. This point is often overlooked in many of the public policy discussions on climate and energy in the EU.

The most optimistic industry estimates do not predict commercial viability of the entire CCS process chain (capture, transport **and** storage) before 2020. While some companies, such as Alstom, are touting commercial availability by 2015, this timeline refers only to the readiness of a single capture process.¹ Furthermore, it is highly unlikely that this target date will actually be met, given that it is contingent upon deployment of large-scale demonstration projects in 2009, the commitment of substantial public financial resources and no unforeseen delays.

A more realistic timeframe for the technical feasibility of CCS is 2030.ⁱⁱ This means that CCS **can not** contribute to meeting the EU's 2020 greenhouse gas emission reduction targets.

Innovative renewable energy technologies are poised to deliver

A number of innovative renewable energy technologies, such as advanced solar thermal electricity generation, high-efficiency photovoltaics, large-scale wave power, enhanced geothermal power systems, or the innovative interconnection and system integration of offshore wind-farms, are poised for commercial availability. As evidence, we can consider recent examples. Since the start of the year, the world's largest central receiver concentrated solar thermal power (CSP) project was inaugurated, the PS-20. In the last couple of months, the 'Oyster' wave energy converter delivered its first kWh into European electricity grids, and next month a 150 tonne prototype of the 'Trident Energy' converter will be tested off the English coast.

Innovative renewable energy projects will put Europe on track for a fast transition towards a clean and modern energy system, characterised by flexible network management and a mix of small and large-scale renewable power production units, independent of fossil or nuclear fuel supplies.

Inert and centralised coal-based CCS technologies contradict the flexible management and operation of a renewable-energy based power system. In order to exploit the full potential of renewable energy and energy efficiency, Europe will need to invest in technologies and systems to facilitate the modernisation of the energy sector, rather than those technologies that perpetuate the status quo, by attempting to add an end-of pipe solution.

The bias towards fossil fuel technologies must be reversed

Fossil fuels have always received the lion's share of subsidies and public support. The bias in public support in favour of fossil energy continues today and is readily evident in EU institutions such as the European Investment Bank (EIB). In 2008, the EIB's energy financing program allocated 19% (€2.2 billion) of its funding to renewable energy projects while handing out 43% (€5.0 billion) to "conventional energy". Additionally, in the European Economic Recovery Plan, which is about to be adopted by the Council, the budget earmarked for carbon capture and storage is almost twice as large as that for renewable energy projects. Any further public funding for CCS will only exacerbate this imbalance.

What is more, the companies pushing for public handouts on CCS are the same ones that have bankrolled record profits in the past couple of years. For

example, the commercial members of the Zero Emissions Platform netted more than €97 billion in profit last year alone. Nonetheless, the relevant industry is expecting governments to shield it from the increased risk associated with CCS. Research shows that electricity generated from coal equipped with CCS will be more expensive than other less risky solutions, such as gas, wind power and other types of renewable energy.

For these reasons, Greenpeace asks that:

- **At least 75% of the New Entrant's Reserve funding should be earmarked for renewable energy projects.**
- **The allocation process for the funds should be suited to support both small-scale, as well as large-scale projects.**
- **No additional EU funds should be committed to CCS. Private companies should bear the costs for proving its viability.**

For more information:

You can find Greenpeace's report on CCS, released in May 2008 "False Hope: Why carbon capture and storage won't save the climate" on www.greenpeace.org/ccs

Frauke Thies, EU Energy Policy Campaigner, Greenpeace European Unit, +32 2 274 1912 or frauke.thies@greenpeace.org

ⁱ See Alstom, http://www.alstom.com/pr_corp_v2/2008/corp/50099.EN.php?languageId=EN&dir=/pr_corp_v2/2008/corp/&idRubriqueCourante=23132.

ⁱⁱ See World Business Council for Sustainable Development (WBCSD), <http://www.wbcsd.org/web/publications/facts&trends-ccs.pdf>>